

# HOUSE BILL REPORT

## HB 2418

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### As Reported by House Committee On:

Housing  
Capital Budget

**Title:** An act relating to affordable housing.

**Brief Description:** Increasing the availability of affordable housing.

**Sponsors:** Representatives Springer and Miloscia.

### Brief History:

#### Committee Activity:

Housing: 1/11/06, 1/19/06 [DPS];

Capital Budget: 2/2/06, 2/7/06 [DP2S(w/o sub HOUS)].

#### Brief Summary of Second Substitute Bill

- Authorizes a transfer of up to \$25 million for the Fiscal Year 2006 to the Washington Housing Trust Fund from the General Fund.
- Exempts three programs from the Housing Trust Fund competitive application and distribution process.
- Makes appropriations from the Washington Housing Trust Account.
- Creates the Interagency Council on Homelessness.
- Directs the Department of Community, Trade and Economic Development (DCTED) to implement the Washington Homeless Client Management Information System to collect information about homelessness and homeless persons.
- Requires DCTED to study the effectiveness of a potential voluntary low-income housing waiting list database.
- Requires DCTED to implement a statewide Affordable Housing Database.
- Includes a null and void clause.

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## HOUSE COMMITTEE ON HOUSING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Miloscia, Chair; Springer, Vice Chair; Holmquist, Ranking Minority Member; McCune, Ormsby, Pettigrew, Schindler and Sells.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dunn, Assistant Ranking Minority Member.

**Staff:** Robyn Dupuis (786-7166).

**Background:**

The State of Washington distributes funding for housing programs through the Department of Community and Economic Development's (DCTED) Housing Trust Fund. Housing projects must serve low-income and special needs populations. Grants and loans are awarded on a competitive basis.

Total Housing Trust Fund Budget

The 2005-2007 budget includes a total appropriation of \$100 million for the Housing Trust Fund. Of this amount, \$33 million is designated for specific set asides.

Set Asides:

• Energy Matchmakers	\$ 9,000,000
• Housing for Developmental Disabilities	\$ 5,000,000
• Self-Help Housing Programs	\$ 2,500,000
• Housing for Domestic Violence Victims	\$ 1,000,000
• Emergency Shelters/Transitional Housing	\$ 5,000,000
• Farm Worker Housing	\$ 8,000,000
• On-farm Infrastructure Loan Programs	<u>\$ 2,500,000</u>
Total:	\$33,000,000

Housing Trust Fund Back Log

According to the DCTED, housing projects representing requests for over \$45 million in Housing Trust Fund assistance are currently deemed eligible and await the availability of funding. These projects represent the potential development of approximately 2,300 units of affordable housing.

Homeless Families Services Fund

The Homeless Families Services Fund (also referred to as the Washington Families Fund) was established by the Legislature in 2004 with an initial one time appropriation of \$2 million. This program leverages private dollars to provide long-term, stable sources of funding for homeless services.

Real Estate Excise Tax

The real estate excise tax (REET) is imposed upon the sale of real property at the rate of 1.028 percent of the selling price. An amount equal to 6.1 percent of the proceeds are deposited into the public works assistance account and an amount equal to .6 percent of the proceeds are deposited into the city-county assistance account.

State Expenditure Limit

Initiative 601, enacted in 1993, established a State General Fund expenditure limit and restrictions on state fee and revenue increases. The State Expenditure Limit Committee (Committee) calculates the expenditure limit each November and projects an expenditure limit for the next two fiscal years. The Committee must make various adjustments to the state expenditure limit, including a downward adjustment when state program costs or moneys are shifted out of the General Fund to other dedicated accounts.

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**Summary of Substitute Bill:**

An amount equal to 3.039 percent of the proceeds of the real estate excise tax revenues for the fiscal year ending June 30, 2005 (\$25 million), will be diverted from the General Fund and deposited into the Washington Housing Trust Fund for each of the next four fiscal years ending June 30, 2010 (a total of \$100 million).

Housing projects falling within the following categories will be funded with the corresponding specific amounts for each year indicated:

Fiscal Year 2007

1. Washington Housing Trust Fund "Backlog" of Eligible Projects:	\$ 8,600,000
2. Energy Matchmakers Programs:	\$ 4,500,000
3. Rental Vouchers for Low-Income Migrant and Seasonal Farm Workers:	\$ 4,000,000
4. Housing for Persons with Developmental Disabilities:	\$ 1,250,000
5. Housing for Victims of Domestic Violence:	\$ 500,000
6. Farm Worker Housing, including an on-farm housing loan program:	\$ 4,000,000
7. Mobile Home Preservation:	\$ 1,000,000
8. Homeless Families Services Fund:	\$ 1,000,000
9. Homebuyer Program:	\$ 150,000
Total:	\$25,000,000

Fiscal Years 2007, 2008, 2009 and 2010

1. Washington Housing Trust Fund "Backlog" of Eligible Projects:	\$13,100,000
2. Rental Vouchers for Low-Income Migrant and Seasonal Farm Workers:	\$ 4,000,000
3. Housing for Persons with Developmental Disabilities:	\$ 1,250,000
4. Housing for Victims of Domestic Violence:	\$ 500,000
5. Farm Worker Housing (temporary and permanent), including a program to assist in financing on-farm housing, with priority given to grower-provided housing:	\$ 4,000,000
6. Mobile Home Preservation:	\$ 1,000,000
7. Homeless Families Services Fund:	\$ 1,000,000
8. Homebuyer Program:	<u>\$ 150,000</u>
Total:	\$25,000,000

Total for each fiscal year: \$25 million.

Total funds distributed over four years: \$100 million.

These additional one-time funds will be included in the calculation of annual funds available for determining administrative costs. This will result in an increase of \$1.25 million in administration costs each year for four years.

Funds will be distributed using the DCTED's current competitive process for the Housing Trust Fund except for the following:

- (a) funds applied to the Homeless Family Services Fund, which will receive a direct transfer from the Housing Trust Account each year;
- (b) funds appropriated to Weatherization administered through the Energy Matchmakers Program; and
- (c) funds for grower-provided on-farm housing.

The state expenditure limit shall not be lowered to reflect the diversion of REET funds from the State General Fund to the Housing Trust Fund.

The DCTED must report annually by December 31 to the House Housing Committee and the Senate Financial Institutions, Housing and Consumer Protection Committee on performance measures to be determined by the DCTED.

**Substitute Bill Compared to Original Bill:**

The substitute bill makes a one-time provision of \$4.5 million to the Energy Matchmakers Program for the fiscal year ending June 30, 2007. The appropriation for the Housing Trust Fund backlog set-aside is reduced by \$4.5 million for Fiscal Year 2007 to accommodate that change.

Two additional set-asides are created that apply to Fiscal Years 2007-2009. Of the total annual appropriation of \$25 million, \$4 million is provided for rental vouchers for low-income migrant farm workers, seasonal farmworkers, or farmworkers and \$150,000 is provided for a homebuyer program. The Housing Trust Fund backlog set-aside is reduced by a total of \$4.15 million each year to accommodate the two additions.

The language in the provision for farmworker housing projects is changed in the substitute to specifically reference strategically located permanent facilities; temporary facilities, including mobile tent facilities; and a program to assist in financing the development of temporary or permanent on-farm housing units with priority given to grower-provided housing projects. The original bill reference to a "loan program" was removed.

The DCTED is required to report upon the accomplishments of this act annually to the appropriate committees of the Legislature. Information must be provided by county and city. The original bill required the DCTED to report only once during the year 2010, and did not specify that information was to be included specific to counties and cities.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for section 8, relating to the state expenditure limit, which takes effect July 1, 2007.

**Testimony For:** (In support) The affordable housing crisis is getting worse every year. Individuals and households living on limited incomes, including those relying on Social Security Insurance or on income from minimum wage jobs, cannot afford market rate housing units in this state. The longer it takes for affordable housing projects to receive funding from the Housing Trust Fund, the more expensive a project becomes. Just a few of the increases in project costs over time are due to increasing construction costs, the continued overhead of the organization which must be maintained while awaiting funds, property holding costs, and the expiration of documents and negotiations. The project risk increases due to funding source offers that may expire and previously committed funding that is reallocated to other projects. Opportunities for affordable housing are also lost as options on land or buildings and permits expire. In the case of for-profit developers, such delays and increased project costs may cause the developer to consider developing market rate units instead of affordable housing. The Housing Trust Fund is a valuable resource and it leverages anywhere from \$1 to \$5 in additional funding for every Housing Trust Fund dollar awarded. The additional funding through this bill for Energy Matchmakers, housing for the disabled and victims of domestic violence, farm workers, mobile home park purchases, the Washington Families Fund, and projects in the Housing Trust Fund backlog will enable housing developers to move forward with projects to provide much needed additional housing. The Washington Families Fund would appreciate \$3 million a year, instead of the \$1 million provided in the bill.

(Neutral) This bill addresses unintended consequences of SB6593 (2004). Local governments are drafting ordinances and applying standards regarding age, size and design of manufactured homes to homes within manufactured home parks and communities in addition to the outside general area. This was not the intent of the bill. Applying such standards within parks prevents the replacement of single-wide homes, for example, and requires some homes to have concrete skirting, specific roof pitches and special siding when these requirements are not appropriate for the home. Many parks cannot accept homes that are looking for spaces due to park closures because of the local restrictions.

(With concerns) A key contributing factor to the affordable housing bill is the high cost of developing affordable housing, which includes the cost of construction, taxes, permits and fees. The supply-side issues should be addressed as part of the strategy to address the affordable housing crisis. The use of the Real Estate Excise Tax revenue as the source of funding for this program is concerning to the real estate industry.

**Testimony Against:** None.

**Persons Testifying:** (In support) Chuck Eberdt, The Energy Project; John Davies, The Opportunity Council; Carol Selland, Pierce County Community Services; Lonnie Johns-Brown and Dee Dee Garman, Advocates for the Rights of Citizens with Developmental Disabilities of Washington; Darryl Reber, Inland Empire Residential Resources; Donald Chamberlain, AIDS Housing Washington; MaryAnne Dillon, Young Women's Christian Association of Seattle, King and Snohomish County, and Washington State Coalition for the Homeless; Tammy Smith, Resident of Falls Point Apartments; Mike Lowry, Washington Agricultural Families Assistance; Paul Purcell, Beacon Development Group; Walter Zisette, Mercy Housing; Chris Venne, Community Framework; Linda Hall, Saint Andrew's Housing Group; Mark Flynn, Impact Capital; Ishbel Dickens, Columbia Legal Services; Marie Gyulafia and Dwaine Rawley; Eagle Point Home Owners Association; Daniel Thompson, Mobile Home Preservation; Grace Huang, Washington State Coalition Against Domestic Violence; Linda Rasmussen, Young Womens Christian Association of Seattle, King, and Snohomish Counties; Patti McGill, Turning Point; Tom Byers, Washington State Farmworker Housing Trust; Brien Thane, Office of Rural and Farmworker Housing; Mario Villanueva, Diocese of Yakima Housing Services; Mike Gempler, Growers League; and Ben Gitenstein, Washington Low Income Housing Alliance.

(Neutral) Stephen Buxbaum, Department of Community, Trade, and Economic Development, Housing.

(With concerns) Dan Fazio, Farm Bureau; and Bob Mitchell, Washington Realtors.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Housing. Signed by 21 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Blake, Chase, Clements,

Eickmeyer, Ericks, Ericksen, Flannigan, Green, Hasegawa, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Schual-Berke, Serben, Springer and Upthegrove.

**Minority Report:** Do not pass. Signed by 7 members: Representatives Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Cox, Kretz, Kristiansen, Roach and Strow.

**Staff:** Nona Snell (786-7153).

**Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Housing:**

The intent language regarding future appropriations is removed from the second substitute bill. It authorizes a transfer of up to \$25 million for the Fiscal Year 2006 into the Washington Housing Trust Fund from the General Fund instead of requiring that 3.039 percent of the Fiscal Year 2005 proceeds of the Real Estate Excise Tax be deposited into the Washington Housing Trust Fund.

The rental voucher program is added to the programs that are exempt from the Housing Trust Fund competitive application process.

The appropriation for Homeless Families Services Fund is increased from \$1 million to \$4 million, and the appropriation for farm worker vouchers is decreased from \$4 million to \$1 million. The bill directs unspent amounts for farm worker vouchers to the Housing Trust Fund backlog at the end of Fiscal Year 2007.

Rental vouchers and farm worker housing financing assistance of temporary or permanent on-farm housing is for low-income or seasonal farm workers instead of low-income migrant, seasonal, or temporary farm workers. The bill includes an appropriation to meet the full spectrum of farm worker housing needs. The Department of Community, Trade and Economic Development (DCTED) must work with stakeholders to develop an implementation plan.

The second substitute bill creates the Interagency Council on Homelessness and directs DCTED to do the following:

- (1) implement the Washington Homeless Client Management Information System to collect information about homelessness and homeless persons;
- (2) study the effectiveness of a potential voluntary low-income housing waiting list database; and
- (3) implement a statewide Affordable Housing Database.

A null and void clause was added to the bill, which mandates that at least \$25 million must be transferred from the General Fund to the Washington Housing Trust Fund in the operating budget for the bill to take effect.

**Appropriation:** None.

**Fiscal Note:** Requested on February 7, 2006.

**Effective Date of Second Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void if not funded in the budget.

**Testimony For:** The state has additional revenue in the amount of \$1.5 billion that is mostly from the real estate excise tax (REET) on real estate sales and construction. However, there are victims of the strong housing market because housing prices have risen beyond the purchasing capacity of many people's incomes. The additional revenue generated from REET should be used to help people who cannot afford housing. This is one time funding distributed over four years. There is no commitment to continue the programs past the expiration date of the bill.

Housing is needed for people with mental illnesses.

The original \$2 million appropriation for the Homeless Families Services Fund was successful, but the original request was for \$15 million. The program works with private matching funds. Reallocate the appropriations in the bill to increase the Homeless Families Services Fund appropriation.

The Washington Coalition Against Domestic Violence has 45 shelters across the state, but there are currently projects in the Housing Trust Fund pipeline that are waiting for funding. If projects receive Housing Trust Fund dollars, more funds will be available for services and advocacy.

Home ownership education and counseling is successful and protects against predatory lending that is often targeted toward low-income people and first time home buyers. Counseling ensures sound investments.

The Washington Apartment Association supports the inclusion of vouchers for farm workers because vouchers save time, are cost effective (going to individuals instead of construction), and deconcentrate by allowing farm workers to live in the community.

(With concerns) Washington Realtors Association members are sensitive to the REET references included in the bill but support the purpose and funding from the General Fund.

Projects that have obtained part of the funding necessary for a housing project, but need Housing Trust Fund dollars, may lose opportunities if they are backlogged and must wait for funding.

It is important to fund the backlog of Housing Trust Fund projects because the housing boom has passed by rural communities where local resources to build projects are scarce, but there is population growth.

Four million dollars for vouchers is not cost effective because there is not enough housing inventory for farm workers, and vouchers are gone after they are used but housing stock remains.

**Testimony Against:** None.

**Persons Testifying:** (In support of the bill) Representative Springer, Prime Sponsor; Seth Dawson, Washington State Community Housing; Katy Miller, AIDS Housing of Washington; Diane Christie, SHARE; Grace Huang, Washington State Coalition Against Domestic Violence; Caroline James, International District Housing Alliance; Stella Chao, International District Housing Alliance; Elaine Magil, International District Housing Alliance; Harry Montgomery, Tacoma/Pierce County Coalition for the Homeless; Terry Kohl, Washington Apartment Association; Bob Mitchell, Washington Realtors Association; Nick Federici, Washington Low Income Housing Alliance; Lynn Davison, Common Ground; Brien Thane, Office of Rural and Farmworker Association; Danette Allen; and Charlie Chang and Mai See Lee, Hmong Farmers.

**Persons Signed In To Testify But Not Testifying:** None.